Weekly Economic Review

Demand fuels housing market

Resale housing

Strength continues

April's housing data point to consistent strength in Alberta housing demand, supported by a robust labour market and rising in-migration. Home sales were up notably from March, and rose 11.4% year-over-year (y/y). This far outstrips the 3.7% y/y growth in new listings. The sales-to-new listings ratio, a sign of market tightness, dropped slightly to 0.65 from last month, but is still higher than April 2013. This keeps Alberta's housing market firmly in the seller's territory. The average resale home price was $391,402 down 1.4% from March, but up 4.2% over the last year. Both Edmonton and Calgary have seen home prices and sales increase over the last year, with Calgary remaining the tighter market.

Nationally, sales rose 3.7% above April 2013 levels, outpacing the 1.4% increase in new listings. The national sales-to-new listings ratio has remained at 0.52 since the year began. The average price of a home in Canada was 7.6% higher than same month last year.

Manufacturing Shipments

Strong, balanced growth

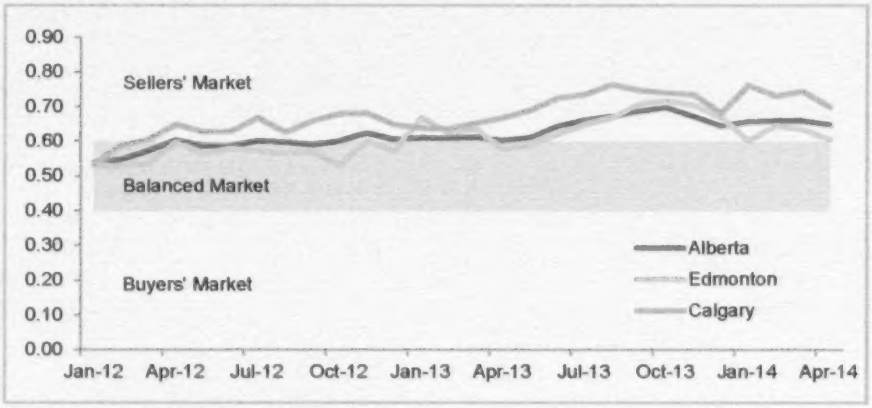
March was another active month for manufacturers in Alberta. Shipments rose 11.3% y/y, the largest increase since February 2012. Spectacular growth in shipments of machinery products (+24.5% y/y) powered growth in durable products (11.0% y/y), which was roughly in line with growth in non-durable shipments (11.5%). Machinery products have mostly recovered from a slump in late 2012, and have trended up since bottoming out in December 2012.

Among non-durable goods, chemical manufacturing (17.2% y/y) grew slightly faster than petroleum and coal products (16.4%), making up for slower growth in food manufacturing (3.3%). Year-to-date, manufacturing shipments are up 6.8% over the same time last year.

Nationally, manufacturing shipments increased a modest 3.5% y/y. Alberta had the largest increase among the provinces, and excluding Alberta, national shipments increased by only 2.4% y/y.

Chart 1: Alberta housing still firmly in seller's territory

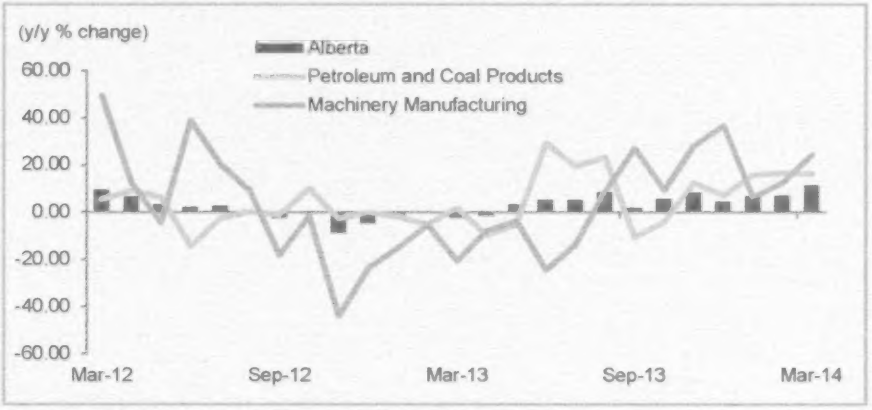
Sales-to-New Listings Ratio



Source: Canadian Real Estate Association

Chart 2: Manufacturing sales driven by machinery, petroleum and coal

Alberta Energy Exports and Canadian Energy Export Prices



Source: Statistics Canada

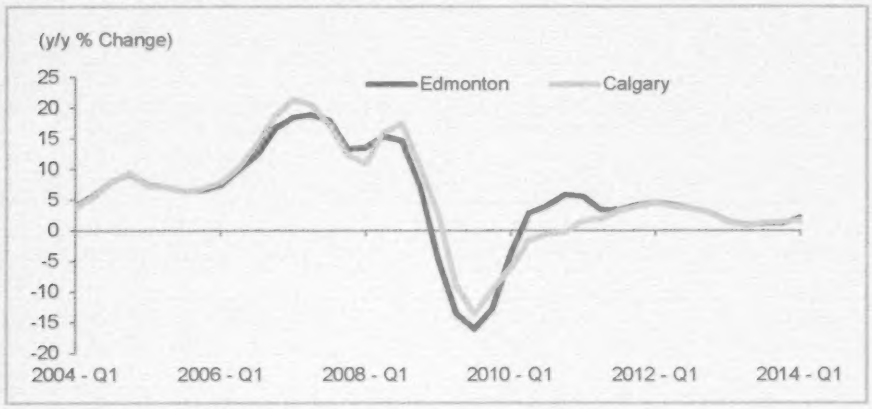
Construction Price Indexes

Cost increases stay moderate

Construction costs in Alberta's two major cities started 2014 on a soft note, posting a modest increase in the first quarter. Average apartment construction costs in Edmonton and Calgary grew 2.1% over the same period in 2013, while non-residential construction costs increased by only 1.9%. Calgary saw apartment construction costs increase at a slightly faster rate than Edmonton, though Edmonton noted higher cost increases across all classes of non-residential construction. Both residential and non-residential construction costs are increasing at a much slower rate than the ten-year average, with low inflation and solid worker migration helping to keep cost inflation low, despite strong levels of construction activity.

Chart 3: Construction cost pressures remain contained

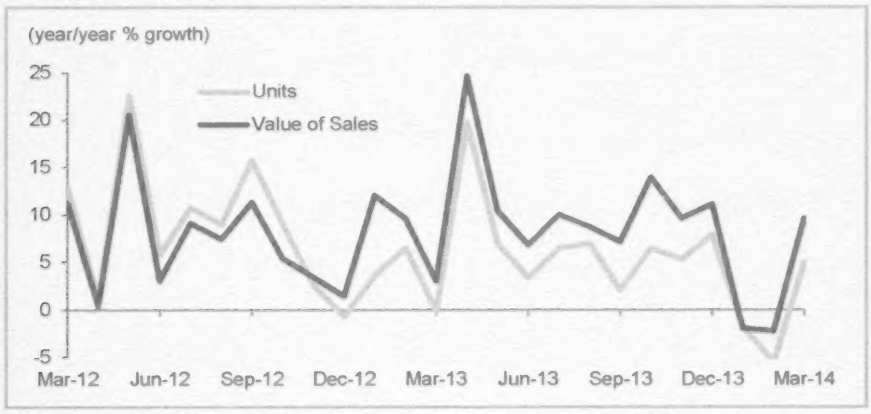
Non-Residential Construction Prices



Source: Statistics Canada

Chart 4: Albertans are spending more money on automobiles

New motor vehicle sales



Source: Statistics Canada

New Motor Vehicle Sales

Sales shift out of reverse

The number of new vehicles sold in Alberta grew 5.0% y/y in March, after falling over the two previous months. There were 23,126 vehicles sold in March. Most of these sales were trucks (17,666), which includes SUVs and vans. The value of new vehicles sold in the province in March was $943 million, up 9.6% year-over-year, which outpaces unit sales growth of 5.0%. This is in part due to higher prices, but may also reflect a shift in preferences towards more expensive vehicles. Auto sales have been a major driver of retail sales in Alberta over the past few years.

At the national level, vehicle sales were flat in March relative to the same month last year. Alberta was responsible for 17% of Canadian vehicle sales in March despite having only a 11% share of the country's population.

Canadian Employment Study

High growth firms create jobs

Job creation in Canada is concentrated among a relatively small number of high-growth firms, according to the recently released *Statistics Canada* study. The study, which tracked individual firms between 2000 and 2009, found that the 10% fastest growing firms were responsible for 38% of all jobs created in Canada. Conversely, 35% of employment contraction was due to the top 10% of shrinking firms. The study highlights the importance of high-growth firms to job creation. While growth of the firm matters, a previous Statistics Canada study found that the size of firm is not significantly correlated with job growth.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.